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DIA and DOS review(s) completed.

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GENERAL

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1. Soviet "show of force"--Ambassador Smith in Moscow believes that the USSR has no intention of taking "extreme measures" at this time, but appears to be engaged in "at least an old fashioned Eastern-European" show of force. Smith adds that the Soviets are very sensitive to what they consider Western "underestimation" of Soviet strength and Anglo-American "persistence in viewing Russia through 1918 eyes."
2. Soviet "hostile intent" discounted--General McNarney believes that evidence of Soviet intentions to begin immediate hostile action is "more than counterbalanced by opposite considerations." He suggests that (a) the reported "build-up" of air strength in Rumania  25X1  
 may indicate a desire to train near available oil supplies and to use air strength in an "occupational and defensive" role in conjunction with Balkan troops; and (b) the reinforcement of Soviet troops in eastern Germany appears to be "non-tactical," in an area convenient for "reshuffling" prior to "redeployment" to the USSR, and involving troops from Southeastern Europe rather than the USSR. McNarney also believes that the overall reduction of Soviet troops in Europe, "closely in accordance" with announced demobilization schedules, is not consonant with "immediate hostile intent."
3. Soviet troop movements in Rumania--General Schuyler, US delegate ACC Bucharest, on the basis of personal observations by US officers and reports from "fairly reliable" sources, offers the following summary of recent Soviet troop movements in Rumania: (a) there is as yet no indication of "appreciable" reduction of Soviet forces; (b) extensive training is in progress, particularly in the Danube Valley; (c) a general reshuffling ("circulatory movement") of troops within the country is taking place; (d) evidence exists of troops "in considerable numbers" passing through Rumania in both directions, but "preponderantly" eastward; and (e) it is probable that "some troops and considerable materiel" have crossed into Bulgaria or Yugoslavia, probably the latter. Schuyler believes that Soviet objectives are (a) to prevent troops from staying in one place long enough to form close ties with civilians, and (b) to "mask" Soviet military intentions. The US Political Advisor in Bucharest comments that although recent Soviet military

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activity indicates that the "stage is set" for Soviet unilateral action in Southeastern Europe, this activity "could be viewed otherwise" if there were more evidence of Soviet intention to cooperate with the Western democracies.

4. US protests Yugoslav seizure of Italian vessels--The State Department has instructed Embassy Belgrade to protest (a) the seizure by Yugoslavia of an Italian vessel proceeding under AMG auspices and (b) the recurring seizures of other Italian vessels. (AFHQ Caserta reports that a total of 38 Italian vessels have been seized by Yugoslavia or have disappeared since June 1945.) The US protest points out that (a) some of the seized ships were fishing for the account of the Allied Command in Italy; (b) the ships were outside Yugoslav territorial waters; (c) the seizures are "clearly in violation of international law" and constitute "interference" with the operation of Allied military authorities; and (d) the US expects Yugoslavia to return the vessels seized.
5. Negotiations to settle Poles in Argentina--Ambassador Harriman in London has been informed [redacted] that (a) negotiations in London between Polish emigre authorities and the Argentine Government for settlement of a large number of Polish soldiers and their families in the Argentine are proceeding "most satisfactorily," and (b) both Roman Catholic Church authorities and British officials are "interested" in a successful outcome of the negotiations.
6. Bidault reluctant to press Ruhr-Rhineland issue--Belgian Foreign Minister Spaak has told Kirk that Bidault recently "indicated reluctance" to press his proposals for the Ruhr and Rhineland, lest the Soviets "suddenly turn to the support of France" on these issues.

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#### EUROPE-AFRICA

7. ITALY: Internal situation calm--UK Ambassador Charles and SACMED believe that (a) Italy is now "entirely calm"; (b) there is no risk of large-scale "civil disorder"; (c) any "possible trouble" can be dealt with by the Italian authorities; and (d) the chief danger of internal conflict lies in a possible Italian Communist move to support Tito should

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he undertake a coup in Venezia Giulia. Charles considers that Molotov is "concerned" about internal political "disorders" either because he is poorly informed (which, in view of the number of Soviets in Italy, is doubtful), or because Molotov is "hatching some scheme" to the advantage of the Communist Party and the USSR.

8. POLAND: Moves to improve relations with US--Ambassador Lane in Warsaw reports that Premier Osobka-Morawski, expressing great concern over the "downward trend" of US-Polish relations and the continued suspension of the \$50,000,000 US credit to Poland, has promised that (a) the texts of Poland's commercial treaties will be published by 22 June, (b) prices and amounts of material involved will also be furnished the US "as a mark of friendship," and (c) the US Embassy will be permitted to interview claimants to US citizenship arrested by Polish authorities.
9. USSR: Ruess case may be settled out of court--Embassy Moscow reports that the Ruess case appears on the way to a solution out of court, since the Soviet plaintiff has signed a letter to the court asking that the case be dropped.
10. YUGOSLAVIA: Coalition of opposition groups almost completed--Embassy Belgrade has been informed by Milan Grol, chief of the Yugoslav (oppositionist) Democratic Party, that (a) efforts to form a coalition of Yugoslav opposition groups are almost completed, but (b) announcement of the coalition will be withheld, pending the "outcome of the Trieste problem," since opposition political activity would be "inconceivable" in the event of military action.
11. SWITZERLAND: Munitions export prohibited--US Military Attache and Embassy Bern report that the Swiss have decreed a six-months embargo on the export of munitions of all types. Ostensibly the Government desires an opportunity to examine tentative sales contracts, but a Bern newspaper suggests that the "present world situation is probably the major motive." [redacted] prospective buyers have included the USSR, Spain, Spanish Republicans and Yugoslavia. (Legation Bern has transmitted [redacted] reports of secret Soviet negotiations for the purchase of Oerlikon guns; [redacted])

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